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MEMORANDUM

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

TO: Docket Control

FROM: Ernest G. Johnson  
Director  
Utilities Division

DATE: December 19, 2007

RE: STAFF REPORT FOR THE APPLICATION OF DIAMOND VALLEY WATER  
USERS CORPORATION FOR APPROVAL OF A REQUEST OF THE  
DIAMOND VALLEY WATER DISTRICT TO OBTAIN THE ASSETS OF THE  
DIAMOND VALLEY WATER USERS CORPORATION,  
DOCKET NO. W-03263A-07-0244

The evidentiary hearing for this transfer case was held on November 16, 2007. During the hearing, Staff was directed to prepare a report regarding the Company's assets and liabilities, as well as an analysis of engineering reconstruction of the water system.

EGJ:MSJ:kdh

Originator: Marlin Scott, Jr.

Attachment: Original and 13 Copies

Arizona Corporation Commission  
DOCKETED

DEC 19 2007

DOCKETED BY	
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Service List for: Diamond Valley Water Users Corporation  
Docket No. W-03263A-07-0244

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Prescott, Arizona 86301

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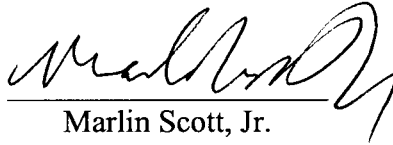
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Ms. Lyn Farmer  
Chief Administrative Law Judge, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

## STAFF ACKNOWLEDGEMENTS

This Staff Report for Diamond Valley Water Users Corporation was prepared by the Staff members shown below.

A handwritten signature in black ink, appearing to read "Marlin Scott, Jr.", written over a horizontal line.

Marlin Scott, Jr.  
Utilities Engineer

**EXECUTIVE SUMMARY**  
**DIAMOND VALLEY WATER USERS CORPORATION**  
**DOCKET NO. W-03263A-07-0244**

Staff has prepared a Staff Report regarding Diamond Valley Water Users Corporation's assets and liabilities, as well as an analysis of engineering reconstruction of the water system. Based on the information Staff had available, the following original cost less depreciation ("OCLD") and reconstruction cost new less depreciation ("RCND") values were derived or calculated:

	<u>OCLD</u>	<u>RCND</u>
Diamond Valley Water System	\$271,511	\$491,901

There is also provided plant inventory of five spare booster pumps totaling \$12,623.

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## Introduction

Staff was directed to provide an "asset listing" of the Diamond Valley Water Users Corporation's plant-in-service to be transferred to the Diamond Valley Water District. Staff will provide plant-in-service valuations at original cost less depreciation ("OCLD") and reconstruction cost new less depreciation ("RCND").

## Valuation Method

Using prior rate case Staff Reports and Company Annual Reports, Staff compiled an "asset listing" of the plant-in-service at original cost ("OC"). Staff then conducted a field inspection on December 4, 2007 to verify the plant-in-service.

The OC values were then used to estimate the reconstruction cost new ("RCN") values by using the Handy-Whitman Indexes for Cost Trending.

Depreciation values established by the Utilities Division for water utility plant assets with typical plant service lives were used to depreciate the assets.

## Used and Useful Plant

During the field inspection, Staff verified which plant asset items were considered used and useful. For this proceeding, Staff produced an "asset listing" (see Exhibit 1) showing all plant asset items. The shaded items were those items Staff determined were not used and useful. The purpose of the asset listing is to show all the parties in this proceeding what plant items are being transferred and which plant items are used and useful and present Staff's RCND value of the used and useful plant.

## Land Value

Staff did not evaluate the land parcels for the purpose of the RCN evaluation. In normal rate making, land is not trended. In other words, if the water company paid \$1,000 for a parcel of land in 1980, for **rate making purposes** it is still valued at \$1,000 in 2005.

## Result of Valuation

Exhibit 1 also provides Staff's determination of the OC and RCN valuation done for each item of plant identified in the asset listing. Based on the information Staff had available, the following OCLD and RCND values for the water system were derived or calculated:

	<u>OCLD</u>	<u>RCND</u>
Diamond Valley Water System	\$271,511	\$491,901

Included at the end of Exhibit 1, Staff also provided plant inventory of five spare booster pumps with an OC of \$12,623.

Diamond Valley Water Users Corporation									
Plant-in-Service									
Acct. No.	Plant Items	Year Installed	Original Cost	Handy-Whitman Index	Numbers	RCN	2007 minus Yr. installed	Service Life	OCCLD RCND
303	<b>Land &amp; Land Rights</b>								
	Site #1 - Emerald Pump Site	1962	\$3,500					-	\$3,500 \$3,500
	Site #2 - 1 old well (abandoned)								
	Site #3 - Degraded Pump (abandoned)								
	Site #4 - Ramada Tank Site								
	Site #5 - Water Pump (abandoned)								
	Site #6 - Lisa Lane Tank Site								
	Site #7 - Opal Tank Site								
	Site #8 - Rosequartz Pump Site								
304	<b>Structures &amp; Improvements</b>								
	Site #1 - Emerald Pump Site								
	Pump house, 10' x 21' masonry (storage)	1962	\$1,255	445	60	\$9,308	45	30	\$0 \$0
	60 ft. of chain link fencing								
	Site #2 - (abandoned)								
	Site #3 - Degraded Pump (abandoned)								
	Site #4 - Ramada Tank Site								
	Site #5 - OC well (abandoned)								
307	<b>Well &amp; Springs</b>								
	Site #1 - Well #1A (6' x 8' x 8' concrete)	1962	\$3,014	389	6	\$22,419	45	30	\$0 \$0
	Well #1B (6' x 8' x 8' concrete)	1962	\$1,084	389	15	\$6,741	45	30	\$0 \$0
	Site #2 - Well #2 (6' x 8' x 8' concrete)	1977	\$2,030	389	15	\$7,058	45	30	\$0 \$0
	Site #3 - Well #3 (6' x 8' x 8' concrete)	1978	\$3,372	389	30	\$1,306	45	30	\$225 \$460
	Well #4 (6' x 8' x 8' concrete)	1983	\$4,887	389	21	\$7,722	45	30	\$377 \$1,544
	Site #8 - Well #8 (6' x 8' x 8' concrete)	1984	\$7,987	389	22	\$1,593	45	30	\$1,859 \$3,172
	Site #8 - Master-meter vault, 5' x 18' CMU	1990	\$1,350	445	261	\$2,302	17	30	\$585 \$997
	Site #6 - Lisa Lane Tank Site								
	Pump house, 6' x 8' wooden	1989	\$960	445	253	\$1,689	18	30	\$384 \$675
	Site #7 - Opal Tank Site								
	Pump house, 8' x 10' wooden	1986	\$2,578	445	246	\$4,663	21	30	\$773 \$1,399
	Site #8 - Rosequartz Pump Site								
	Pump house, 14' x 26' wooden	1984	\$3,500	445	238	\$6,544	23	30	\$817 \$1,527
	Master-meter vault, 5' x 18' CMU	1990	\$1,350	445	261	\$2,302	17	30	\$585 \$997

Diamond Valley Water Users Corporation									
Plant-in-Service									
Acct. No.	Plant Items	Year Installed	Original Cost	Handy-Whitman Index	Numbers	RCN	2007 minus Yr. Installed	Service Life	OC LD RCND
311	<b>Pumping Equipment</b>								
	Site #1 - Emerald Pump Station	1990	\$125	639	245			8	\$0
	20 gallon bladder tank (10,000 gal)								
	Site #2 - none								
	Site #3 - Daffodil Pump Station								
	Site #4 - Ramada Tank Site								
	2,000 gallon bladder tank (10,000 gal)	1991	\$4,006	639	245			8	\$0
	Two 10-Hp horizontal booster pumps	2003	\$4,700	639	546	\$5,500	4	8	\$2,350
	One 5-Hp vertical booster pump (10,000 gal)	1990	\$1,426	639	245			8	\$0
	Site #5 - Water Pump Station								
	50 gallon bladder tank (10,000 gal)	1990	\$125	639	245			8	\$0
	Site #6 - Lisa Lane Tank Site								
	50 gallon bladder tank	1989	\$125	639	330	\$242	18	8	\$0
	1-1/2-Hp Booster pump	1989	\$639	639	330	\$1,237	18	8	\$0
	Site #7 - Opal Tank Site								
	Two submersible 5-Hp booster pumps	2000	\$4,163	639	532	\$5,000	7	8	\$625
	Site #8 - Rosequartz Pump Site								
	Two 10-Hp booster pumps	2003	\$5,041	639	546	\$5,900	4	8	\$2,521
330	<b>Distribution Reservoirs &amp; Standpipes</b>								
	Site #4 - Ramada Tank Site								
	125,000 gallon storage tank	1984	\$31,545	494	184	\$84,691	23	45	\$15,422
	Site #6 - Lisa Lane Tank Site								
	10,000 gallon storage tank	1981	\$5,870	494	208	\$13,941	26	45	\$2,478
	Site #7 - Opal Tank Site								
	10,000 gallon storage tank	1980	\$5,443	494	191	\$14,078	27	45	\$2,177
331	<b>Transmission &amp; Distribution Mains</b>								
	3-inch - ACP, 4,580 ft.	1964	\$10,582	475	93	\$54,048	43	50	\$1,481
	4-inch - ACP, 62,500 ft.	1964	\$180,505	475	93	\$921,934	43	50	\$25,271
	6-inch - ACP, 9,820 ft.	1964	\$39,705	475	93	\$202,794	43	50	\$5,559
	4-inch - PVC, 1,100 ft.	2002	\$15,231	334	230	\$22,118	5	50	\$13,708
333	<b>Services</b>								
	90 each	1975	\$17,112	375	124	\$51,750	32	30	\$0
	80 each	1980	\$22,203	375	181	\$46,000	27	30	\$2,220
	90 each	1985	\$29,118	375	211	\$51,750	22	30	\$7,765
	85 each	1990	\$29,846	375	229	\$48,875	17	30	\$12,933



Diamond Valley Water Users Corporation											
Plant-In-Service											
Acct. No.	Plant Items	Year Installed	Original Cost	Handy-Whitman Index	Numbers	RCN	2007 minus yr. installed	Service Life	OC	CLD	RCND
	80 each	1995	\$31,525	375	257	\$46,000	12	30	\$18,915		\$27,600
	90 each	2000	\$38,364	375	278	\$51,750	7	30	\$29,412		\$39,675
	80 each	2005	\$41,829	375	341	\$46,000	2	30	\$39,041		\$42,933
	43 each @ \$57.5 each	2007	\$24,725	375	375	\$24,725	0	30	\$24,725		\$24,725
<b>334</b>	<b>Meters &amp; Meter Installations</b>										
	5/8x3/4-inch, 90 each	1975	\$1,993	437	129	\$6,750	32	12	\$0		\$0
	5/8x3/4-inch, 80 each	1980	\$2,609	437	190	\$6,000	27	12	\$0		\$0
	5/8x3/4-inch, 90 each	1985	\$47,991	437	239	\$87,750	22	12	\$0		\$0
	5/8x3/4-inch, 85 each	1990	\$3,880	437	266	\$6,375	17	12	\$0		\$0
	5/8x3/4-inch, 80 each	1995	\$4,201	437	306	\$6,000	12	12	\$0		\$0
	5/8x3/4-inch, 90 each	2000	\$5,236	437	339	\$6,750	7	12	\$2,182		\$2,813
	5/8x3/4-inch, 80 each	2005	\$63,753	437	398	\$70,000	2	12	\$53,127		\$58,333
	5/8x3/4-inch, 43 each at \$7.5 each	2007	\$3,225	437	437	\$3,225	0	12	\$3,225		\$3,225
<b>336</b>	<b>Backflow Prevention Devices</b>										
	8-inch double check valve assembly	1990	\$2,900	375	229	\$4,749	17	15	\$0		\$0
	Totals:		\$728,925			\$2,034,545			\$277,034		\$503,911
	TOTALS:		\$689,349			\$1,929,994			\$271,511		\$491,901
Plant Inventory:											
	Site #4 - Ramada Tank Site										
	Spare: 10-Hp horizontal booster pump	Spare	\$2,512								
	7-1/2-Hp vertical booster pump	Spare	\$2,728								
	Site #7 - Opal Tank Site										
	Spare: 5-Hp submersible pump	Spare	\$2,300								
	Site #8 - Rosequartz Pump Site										
	Spare: 10-Hp horizontal booster pump	Spare	\$2,512								
	10-Hp horizontal booster pump	Spare	\$2,571								
	Total Inventory:		\$12,623								